

Message Text

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USDOC FOR MARAD

E.O. 11652: N/A
TAGS: EWWT, UR, US
SUBJECT: U.S. MARINE INSURANCE DELEGATION VISIT TO USSR

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SUMMARY: THE U.S. MARINE INSURANCE DELEGATION WHICH VISITED THE SOVIET UNION IN AUGUST FAILED TO INDUCE ITS SOVIET DISCUSSANTS TO ALTER THEIR PRESENT PRACTICE OF RESERVING BUSINESS LARGELY FOR THE SOVIET MONOPOLY, INGOSSTRAKH. NO VISIBLE PROGRESS WAS MADE TOWARDS SECURING A LARGER SHAR OF THE MARKET FOR U.S. UNDERWRITERS. IF ONLY AS A WEAPON IN THE ARSENAL FOR FUTURE INTERGOVERNMENTAL NEGOTIATIONS ON THIS SUBJECT, HOWEVER, THE VISIT SERVED THE PURPOSE OF DEMONSTRATING THE INTEREST OF THE U.S. MARINE UNDERWRITING INDUSTRY IN COVERING ITEMS IN THE US-USSR TRADE. IF NO BUSINESS WAS GENERATED AND IF THE SOVIETS SHOWED NO INCLINATION TO CHANGE CURRENT PRACTICE, THEY AT LEAST WILL FIND IT MORE DIFFICULT TO ARGUE THAT LACK OF U.S. BUSINESS STEMS FROM A WANT OF INTEREST ON THE AMERICAN SIDE. SOVIET SALES RESISTANCE
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WAS SO STRONG THAT THE DELEGATION MAY HAVE BEEN LED TO THE CONCLUSION THAT AMERICAN MARINE UNDERWRITERS HAD BEST PIN THEIR HOPES ON ACQUIRING A LARGER SHARE OF THE REINSURANCE MARKET. THE SOVIETS, FOR THEIR PART, MADE CLEAR THAT THEY WILL RAISE THE ADVERSE BALANCE IN REINSURANCE AT THE NEXT INTERGOVERNMENTAL SESSION.
END SUMMARY.

1. A DELEGATION FROM THE AMERICAN INSTITUTE OF MARINE UNDERWRITERS (AIMS), MESSRS. JOHN E. GREENE AND GERALD V. S. PEPPERELL, RESPECTIVELY CHAIRMAN AND VICE-CHAIRMAN OF THAT ORGANIZATION, SPENT FOUR WORKING DAYS IN MOSCOW, AUGUST 22-25, 1977. THEY MET WITH TEN SOVIET FOREIGN TRADE ORGANIZATIONS (FTO'S), THE SOVIET STATE INSURANCE COMPANY, INGOSSTRAKH, AND DEPUTY MINISTER OF FOREIGN TRADE VIKTOR IVANOV.

2. IN ALL 12 MEETINGS MR. GREENE EMPHASIZED THAT THE BASIC PROBLEM FACING AMERICAN MARINE UNDERWRITERS, ABOUT WHICH HE HAD COME TO THE SOVIET UNION, WAS THAT, IN THE US-USSR BILATERAL TRADE, THE SOVIETS DOMINATED THE TERMS OF THIS TRADE IN BOTH DIRECTIONS, INSISTING ON SELLING C.I.F. AND ON BUYING F.O.B. OR F.A.S. THIS PRACTICE HAD THE ULTIMATE EFFECT OF EXCLUDING THE AMERICAN MARINE UNDERWRITING INDUSTRY FROM BOTH PARTS OF US-USSR BILATERAL TRADE. PEPPERELL, WHO IS EXPECTED TO REPLACE GREENE AS CHAIRMAN OF AIMU LATER THIS YEAR, CARRIED THE BULK OF THE NEGOTIATING BURDEN THROUGHOUT. HIS TASK WAS UNENVIABLE, AS NONE OF HIS CONVERSATION PARTNERS APPEARED TO HAVE ANY INTEREST IN THE DIALOGUE. HE ACHIEVED ONE PRIMARY OBJECTIVE OF THE VISIT -- SOVIET NEGOTIATORS WILL HENCEFORTH BE LESS ABLE TO CLAIM AGAIN WITH CREDIBILITY IGNORANCE OF THE EXISTENCE OR CAPABILITIES OF THE U.S. LIMITED OFFICIAL USE

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MARINE UNDERWRITING INDUSTRY.

3. IN ORDER TO EMPHASIZE THE OFFICIAL STATUS WHICH THE U.S. SIDE WAS ACCORDING THE AIMU VISIT, EMBASSY WAS IN CLOSE CONTACT WITH MFT AND ARRANGED ITS SCHEDULE. AN EMBASSY OFFICER ACCOMPANIED MESSRS. GREENE AND PEPPERELL, WITH THEIR APPROVAL, ON ALL THEIR CALLS. HE MADE THE POINTS IN SUPPORT OF THE U.S. POSITION CONTAINED PARA FOUR REFTEL, PUTTING PARTICULAR EMPHASIS ON 4A AND 4C REGARDING RESTRICTIVE TRADE PRACTICES AND DESIRABILITY OF ACHIEVING SOME DEGREE OF IMPROVEMENT ON A VOLUNTARY BASIS BEFORE THE U.S. MARINE INSURANCE INDUSTRY FEELS COMPELLED TO PETITION CONGRESS FOR RELIEF.

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4. WHILE NO CONCRETE BUSINESS OPPORTUNITIES RESULTED, O
THE FTO'S DID PRESENT A CONSISTENT LINE OF REASONING
WHY U.S. MARINE UNDERWRITERS HAVE DIFFICULTY PENETRATING
THE INSURANCE MARKET ON US-USSR BILATERAL TRADE. THEIR
MAIN POINTS WERE:

A) IT IS EASIER FOR SOVIET FTO'S TO DEAL WITH A SINGLE
INSURING ENTITY, PARTICULARLY WHEN THAT ONE IS AT YOUR
DOORSTEP, SPEAKS YOUR LANGUAGE AND IS A FAMILIAR FRIEND
OF MAY YEARS' STANDING (ALTHOUGH SEVERAL FTO'S DID
SAY THEY WOULD BE "WILLING TO CONSIDER" ALTERNATIVE SOURCES
OF INSURANCE IF THEY RECEIVED DIRECT AND COMPETITIVE
OFFERS FROM U.S. MARINE UNDERWRITERS.

B) IT IS CUSTOMARY IN INTERNATIONAL TRADE FOR THE
PURCHASER TO DETERMINE THE TERMS OF PURCHASE (C.I.F.,
F.O.B., F.A.S.). IT IS NATURAL THAT FTO'S, IN DOING SO,
FOLLOW THE LINE OF LEAST RESISTANCE (A ABOVE). IT IS,
FURTHERMORE, NOT THE FAULT OF THE FTO'S THAT THE U.S.
BUYS SO LITTLE FROM THE USSR (MFN, TRADE ACT, JACKSON-
VANIK, ETC.) AND THUS HAS LESS OF A CONTROLLING HAND.
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C) U.S. INSURANCE MUST BE PURCHASED FOR HARD CURRENCY,
AND ANY MORE SUCH HARD CURRENCY EXPENDITURES WOULD REQUIRE
APPROVAL FROM HIGH-LEVEL GOVERNMENT OFFICIALS. (EXPORTKHLEB
AND STANKOIMPORT WERE THE ONLY FTO'S TO CLAIM THIS
DIRECTLY. OTHERS IMPLIED IT. A FEW WENT OUT OF THEIR
WAY TO DENY IT.)

D) MOST U.S. SUPPLIERS ARE NOT INTERESTED IN THE HANDLING OF THEIR MERCHANDISE ONCE IT GETS OUT THE DOOR OF THE PLANT. THUS THEY PREFER F.A.S. AND F.O.B., IN THAT ORDER, AND CONSIDER C.I.F., A BOTHER.

E) THE UNDERSTOOD (MISTAKENLY) THAT U.S. MARINE UNDERSRITERS COULD NOT OFFER DOOR-TO-DOOR COVERAGE, AS INGOSSTRakh COULD, BUT COULD ONLY COVER THE PORT-TO-PORT PORTION OF PMERCHANDISE AND EQUIPMENT SHIPMENTS. (MESSRS. GREENE AND PEPPERELL POINTED OUT THE EQUIVALENCY OF THEIR SERVICES TO THOSE OFFERED BY INGOSSTRakh.)

F) SINCE U.S. UNDERWRITERS ARE TRYING TO MAKE INROADS INTO A MARKET COVERED, UNTIL NOW, QUITE SATISFACTORILY BY THE LOCAL INSURANCE INDUSTRY, THEY CANNOT EXPECT ANY RAPID MOVEMENT IN THEIR DIRECTION. ASSUMING THEY CAN OFFER ADVANTAGEOUS TERMS, THEY SHOULD STILL EXPECT THE PROCESS OF ENTERING THE MARKET TO TAKE AT LEAST A COUPLE OF YEARS AND TO REQUIRE REPEATED VISITS SUCH AS THE PRESENT ONE TO ACQUAINT SOVIET FTO'S WITH THE EXISTENCE AND CAPABILITIES OF THE U.S. MARINE INSURANCE INDUSTRY.

5. INGOSSTRakh VICE CHAIRMAN NOVOZHILOV CITED AN ADVERSE LIMITED OFFICIAL USE

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IMBALANCE IN REINSURANCE TRADE - LAST YEAR \$2 MILLION TO U.S. INDUSTRY AND ONLY \$0.3 MILLION TO THE USSR. HE CONTENDED THAT ANY AGREEMENT CARVING OUT A SHARE OF THE US-USSR BILATERAL TRADE FOR INSURANCE BY U.S. FIRMS WOULD BE IN VIOLATION OF THE "GENTLEMEN'S AGREEMENT" ON FREEDOM OF INSURANCE. GREENE RESPONDED THAT INGOSSTRakh MIGHT RECEIVE A LARGER SHARE OF REINSURANCE IF IT WERE ACTIVE IN THE LONDON RESINSURANCE MARKET. HE REEMPHASIZED THE POINT THAT THE SOVIET PRACTICE OF F.O.B./F.A.S. IMPORTS AND C.I.F. EXPORTS LEFT LITTLE "FREEDOM" FOR U.S. MARINE UNDERWRITERS TO FIND BUSINESS.

6. THE FINAL OFFICIAL ACT OF THE VISIT WAS A ONE-AND-ONE HALF HOUR MEETING WITH DEPUTY MINISTER OF TRADE IVANOV. IVANOV PRESENTED NO NEW IDEAS FOR CONSIDERATION. HE MADE CLEAR THAT LACK OF BUSINESS WAS THE PROBLEM OF THE U.S. UNDERWRITERS NOT OF THE SOVIET GOVERNMENT. INTERESTINGLY IN THIS CONTEXT, IVANOV SAID THAT SELLING ON THE U.S. MARKET WAS A PROBLEM FOR THE SOVIETS TO SOLVE FOR THEMSELVES. (HE DID NOT REFER TO "DISCRIMINATION" OR OTHER CUSTOMARY EXCUSES FOR THE LOW LEVEL OF SOVIET EXPORTS.) IVANOV METHODICALLY REBUTTED AIMU'S COMPLAINTS, THEN

PROCEEDED TO PROVE HIMSELF VERY ADEPT AT FEINTING AND
THRUSTING. AT ONE POINT HE INDUCED PEPPERELL TO DECLARE
STRONGLY THAT U.S. MARINE UNDERWRITERS DID NOT WANT AN
INTERGOVERNMENTAL FORMULA FOR SHARING THE INSURANCE
ON CARGOES IN BILATERAL TRADE. THEN HE JUMPED IN WITH,
"AH, BUT HOW CAN THAT BE THE CASE? AFTER ALL, SUCH AN
ACCORD IS EXACTLY WHAT YOU MR. BLACKWELL WAS SEEKING TO
OBTAIN AT OUR LAST MEETING IN LONDON, AND (AIMU PRESIDENT)
FAIN WAS SITTING RIGHT THERE*"
TOON

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